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FISCAL IMPACT STATEMENT

LS 6167

BILL NUMBER: HB 1011

NOTE PREPARED: Nov 19, 2012

BILL AMENDED:

SUBJECT: Public Mass Transportation.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes the establishment of a metropolitan transit district by specified eligible counties through local public questions. It authorizes the metropolitan transit district to: (1) construct or acquire any public transportation facility; (2) provide public transportation service by operating public transportation facilities; and (3) issue bonds and otherwise incur indebtedness. It authorizes the Indiana Finance Authority to issue bonds and use the proceeds to acquire any obligations issued by a metropolitan transit district. It provides that in a county that has approved the local public question, an additional county economic development income tax (CEDIT) rate of not more than 0.3% may be imposed to pay the county's contribution to the funding of the metropolitan transit district. It also specifies that the CEDIT rate may not exceed the recommended tax.

The bill specifies that a county or city council (other than the city-county council of Marion County) may elect by ordinance to provide revenue to a public transportation corporation from the city's or the county's distributive share of county adjusted gross income taxes, county option income taxes, or county economic development income taxes.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of Local Government Finance (DLGF):* The DLGF will set the maximum permissible ad valorem property tax levy for taxing units. This is expected to be implemented within the current level of resources available to the DLGF.

Department of Revenue (DOR): The services provided by a new MTD within its district are exempt from

regulation by DOR. Services provided outside of the district are not exempt.

Indiana Finance Authority (IFA): If the IFA issues bonds to assume the debt incurred or assumed by an MTD, the IFA may incur additional costs in the issuance of those bonds.

Explanation of State Revenues: Tax Exemptions: The property owned by the MTD, the revenue of the MTD, and bonds of the MTD, including interest and proceeds on the bonds, would be exempt from Indiana taxes, except for the Financial Institutions Tax and the Inheritance Tax. [Note: (1) Interest received on bonds issued by the State of Indiana or political subdivisions is currently exempt from Indiana Income Tax. (2) SEA 293-12 provided for a phase-out of the Inheritance Tax, beginning with decedents whose deaths occur during CY 2013. The Inheritance Tax will no longer apply to property interests transferred by decedents whose deaths occur after December 31, 2021.]

Explanation of Local Expenditures: Summary- The bill will have an indeterminate fiscal impact on transportation services in Marion County and surrounding counties as all impacts will be based on the decisions of multiple county fiscal bodies and their voters. The decisions of a new MTD in the planning, acquisition, and management of transit services and the methods of financing selected by the MTD board will determine the expenditures of the MTD.

An MTD may acquire, establish, construct, renovate, improve, equip, operate, maintain, finance, subsidize, lease, and regulate public transportation systems serving the district. Additionally, an MTD exercises all of the powers of a regional transportation authority. However, the MTD may not impose any tax.

Background- Creation of the MTD: According to the bill, specified eligible county fiscal bodies may pass an ordinance to place a public question before local voters regarding the creation of an MTD. Included in the public question is the question of whether or not to approve an additional CEDIT which will be used for the county's contribution to the MTD. The maximum allowable additional CEDIT rate is 0.3% for this purpose, and the additional CEDIT may not exceed the recommended tax proposed in the public question.

Eligible counties that may opt into the MTD include:

- | | |
|-------------|-----------|
| • Boone | • Johnson |
| • Delaware | • Madison |
| • Hamilton | • Marion |
| • Hancock | • Morgan |
| • Hendricks | • Shelby |

Irrespective of the approval of the public question in any of the eligible counties, the MTD is only created if one of the following combinations of counties opt into the MTD:

- Marion County only.
- Marion County plus at least one contiguous eligible county.
- Marion County, Madison County and one of either Hamilton or Hancock counties.
- Delaware County, Madison County, Marion County and one of either Hamilton or Hancock Counties.

Once the MTD is created, additional eligible counties who did not originally opt into the MTD may still place the question before voters to be included in the MTD.

MTD Board: If an MTD is created, the board includes the following members:

- Three members from Marion County.
- Three members from each participating county that becomes part of the MTD prior to January 1, 2015.
- Two members from each participating county that becomes part of the MTD after December 31, 2014.

Changes to Central Indiana Regional Transportation Authority (CIRTA): CIRTA is central Indiana's regional transportation authority, which is a quasi-governmental organization focused on bringing more transportation options to Indiana. CIRTA includes all ten of the counties eligible for inclusion in the MTD and is funded primarily through member county contributions, with smaller amounts coming from grants and federal highway planning funds.

If an MTD is established, CIRTA will remain in place, but the board of CIRTA will be reconfigured. In this event, the new CIRTA board includes the following members:

- Each member of the board of the MTD.
- One member of each county that is part of CIRTA.
- One member representing the three largest municipalities that are not part of the MTD but are still part of CIRTA.
- One member of a labor organization representing CIRTA employees who provide public transportation services within the geographic jurisdiction of CIRTA.

Absorption of IndyGo: IndyGo is abolished in the event that an MTD is established. In such a case, the powers, duties, assets, and liabilities of IndyGo are absorbed by the MTD. The taxing district established for IndyGo as a public transportation corporation will continue in existence for purposes of property taxes imposed by the county fiscal body. These funds will be transferred to the MTD to pay for the MTD's costs of carrying out the powers and duties of IndyGo. The MTD is required annually to submit a proposed budget and proposed property tax levy for the ensuing calendar year to the Marion County fiscal body. The fiscal body is required to review the proposed budget and property tax levy and to adopt the property tax levy to enable the MTD to operate an urban mass transportation system.

IndyGo is the primary provider of transit services in Marion County, providing local fixed-route bus service (30 fixed routes), paratransit and downtown and airport express services. In total, IndyGo delivered more than 9.5 million passenger trips in 2011, which was a 10.16% increase over the previous year. Financial information on IndyGo for 2011 is included below.

IndyGo 2011 Sources of Revenue		
Revenue Source	Amount	Percentage of Total
Operating Revenues:		
Passenger fares	\$10,401,922	15.95%
Advertising	482,617	0.74%
Non-Operating Revenues:		
Property and excise tax	23,966,467	36.74%
Municipalities	11,026,654	16.91%
Federal Transportation Administration Assistance	12,358,190	18.95%
Contributions - Capital Grants	7,022,467	10.77%
Other Net Revenues	<u>(31,543)</u>	-0.05%
TOTAL REVENUES	\$65,226,774	
<i>Source: IndyGo 2011 Annual Financial Report</i>		

On December 31, 2011, IndyGo had \$14.7 M of outstanding notes and bonds payable. IndyGo's 2011 capital costs were over \$11.5 M, including facility upgrades and the acquisition of 22 new fixed-route coaches. IndyGo's total assets on December 31, 2011, were valued at \$119.8 M, including land, buildings, vehicles and equipment, other equipment, and construction in progress.

Explanation of Local Revenues: CEDIT for MTD: If an MTD is established, each county that is part of the MTD has the opportunity to approve in the public question authorizing the MTD an additional CEDIT rate of up to 0.3% which will go toward the county's contribution to the MTD. The estimated revenue from a 0.3% CEDIT rate in each of the eligible counties is reported in the table below.

Additional 0.3% CEDIT Rate for Metropolitan Transit District (In millions)			
County	Estimated CY 2014	Estimated CY 2015	Estimated CY 2016
Boone	\$6.5 M	\$6.7 M	\$7.0 M
Delaware	\$5.2 M	\$5.3 M	\$5.3 M
Hamilton	\$33.6 M	\$35.8 M	\$38.0 M
Hancock	\$5.2 M	\$5.4 M	\$5.5 M
Hendricks	\$11.3 M	\$11.9 M	\$12.5 M
Johnson	\$10.2 M	\$10.5 M	\$10.9 M
Madison	\$6.1 M	\$6.2 M	\$6.4 M
Marion	\$51.1 M	\$51.8 M	\$52.5 M
Morgan	\$4.2 M	\$4.3 M	\$4.4 M
Shelby	\$2.5 M	\$2.5 M	\$2.6 M

Public Transportation Corporations Not Located in Marion County: The bill would allow cities and counties (excluding Marion County) to provide additional revenue to public transportation corporations in their area. Local fiscal bodies (on the recommendation of their corresponding public transportation corporation) may elect to provide revenue to the public transportation corporation from part of the fiscal body's distributive share of CAGIT, COIT, or CEDIT revenue. This provision would allow an additional use for the existing revenue and would not change the total amounts distributed to the individual taxing units. Any impact will depend upon local action.

Indiana currently has eight public transportation corporations. These include public transportation corporations in Fort Wayne, Muncie, Gary, Indianapolis, Speedway, Bloomington, South Bend, and Lafayette. The Indianapolis and Speedway public transportation corporations are exempt from this provision in the bill, due to both being located in a county with a consolidated city.

State Agencies Affected: Department of Local Government Finance, Department of Revenue, Indiana Finance Authority.

Local Agencies Affected: Marion County, Boone County, Delaware County, Hamilton County, Hancock County, Hendricks County, Johnson County, Madison County, Morgan County, Shelby County, Indianapolis Public Transportation Corporation (IndyGo), Central Indiana Regional Transportation Authority (CIRTA), and local public transportation corporations in Fort Wayne, Muncie, Gary, Bloomington, South Bend, and Lafayette.

Information Sources: *IndyGo 2011 Annual Financial Report; CIRTA 2013 Budget;* Department of Local Government Finance Database; OFMA Local Option Income Tax estimates.

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